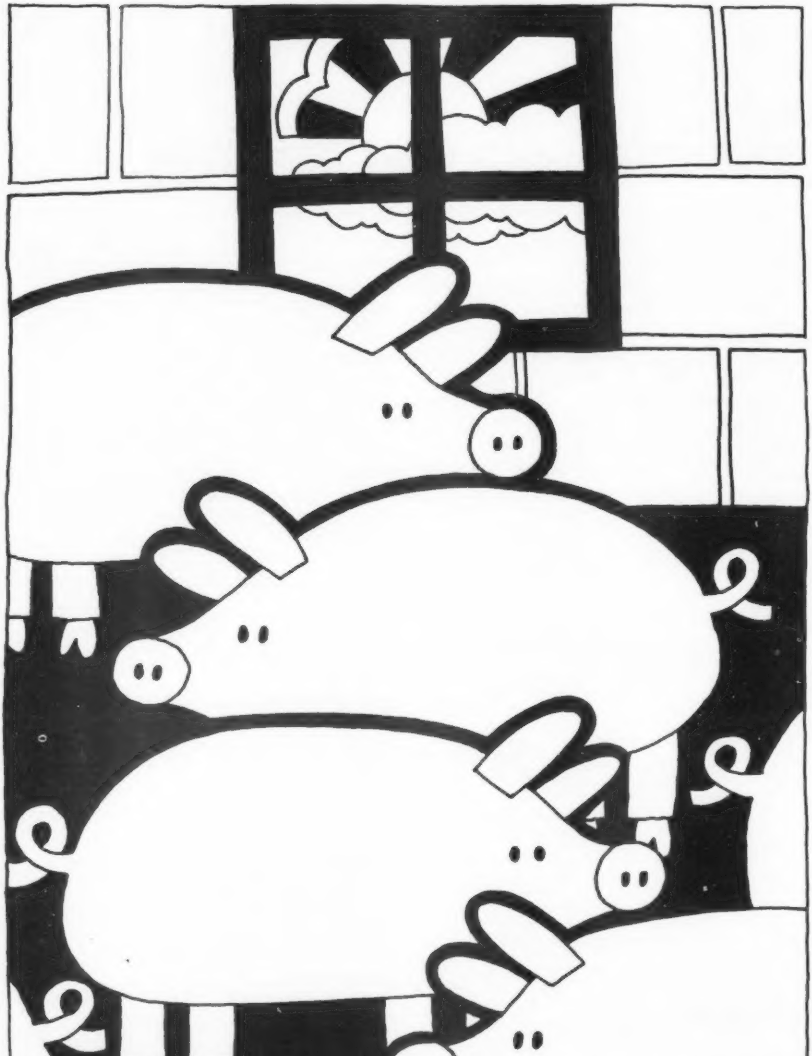
agricultural situation

THE CROP REPORTERS MAGAZINE ● MARCH 1979
ECONOMICS, STATISTICS, AND COOPERATIVES SERVICE
U.S. DEPARTMENT OF AGRICULTURE



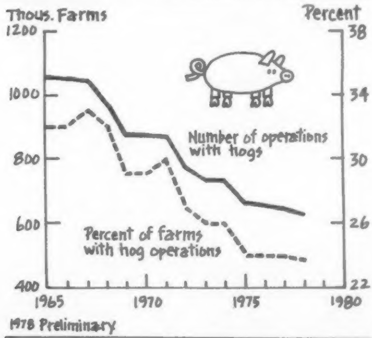
THE CHANGING HOG INDUSTRY

THE CHANGING HOG INDUSTRY

Expansion in the hog industry finally is underway. Pork producers are increasing their sow farrowings in response to the favorable hog-feed price relationships that prevailed for most of 1978 and to the opportune price outlook created by the decline in beef. Ten percent more sows farrowed during September-November 1978 than in the same period the previous year.

Pork producers are also planning a substantial increase in the number of sows to farrow during December-May. USDA surveys in 14 major hog States show that producers plan to have 12 percent more sows farrow during the winter and 16 percent more in the spring. These hogs will be showing up at the marketplace in late 1979.

Operations With Hogs and Percent of Farms With Hog Operations



The delay in the long expected expansion is, in part, a result of changes in hog industry.

Back in the 1950's, more than a third of U.S. farms produced some hogs. These days, the pen may have given way to a shelter with a paved feeding floor, and the proportion of operations producing hogs has decreased to about a fourth of total farms.

These changes have made some traditional indicators less reliable than they once were in predicting shifts in the hog cycle.

Hog production has been characterized by a cycle of about 4 years in length, but it was a much more pronounced cycle 25 years ago than now. The smaller hog producers of the past could be counted on to make rapid adjustments in their farrowing and slaughter in response to changing market conditions.

Today, however, hog production is much more capital intensive, with heavy investments in facilities and equipment. Consequently, an increasingly larger proportion of the cost of hog production is now in

nonfeed costs. Current estimates indicate that feed accounts for only about 50 percent of the total cost in newer confinement facilities. In older, more traditional facilities, nearly 70 percent of total costs are feed costs.

Thus, changing market prices for hogs and feed do not have as great an effect upon hog producers as in the past. Producers tend to stay in business in the short run even if prices are low, as long as they can cover their cash costs.

The larger, newer hog production facilities now account for a significant share of the hog market. In 1964, only 7 percent of total sales came from farms selling 1,000 head or more annually. In 1977, it is estimated that farms selling 1,000 head or more produced a third of the total.

And the market share held by small operations has decreased accordingly. In 1964, small operations selling up to 200 head each year accounted for 46 percent of sales. Today, their market share has decreased to about 18 percent.

The importance of the larger enterprises is expected to continue increasing. USDA estimates that, in 1979, 40 percent of all sales will originate on farms selling 1,000 head or more.

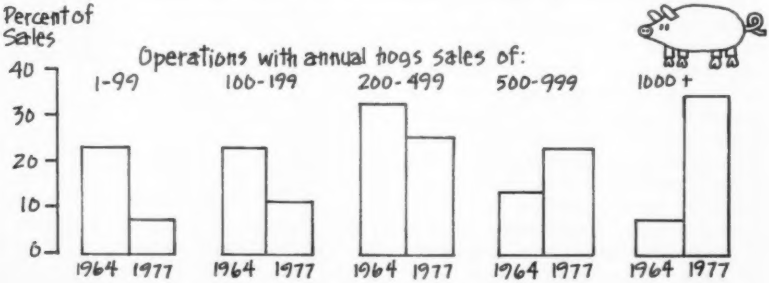
Nevertheless, considerable production still comes from the medium-sized operations. The 500-999-head sales class contained the midpoint of all sales in 1977. The average-size enterprise has sales in the range of 200-300 head per year, since there are many thousands of small farms and relatively few large ones.

Hogs can adapt to many different conditions. Some are still produced on woodland pasture with little or no shelter. Some are raised in portable housing on pasture. Many are handled in drylot situations consisting of some type of shelter building plus a paved feeding floor.

The trend, however, is toward more specialized buildings for each phase of production, with the emphasis on more hog confinement. This permits greater control of each phase of production.

More profitable alternative uses for land, mechanization of materials handling, the desire for year-round production, better control of disease and parasites, and the need for control of hog wastes have en-

Percent of Hog Sales By Size of Operation



1977 estimated

couraged confinement housing. Over 40 percent of hogs sold are now produced in confinement facilities.

Ten to twenty percent of farm farrowing facilities in 1975 included both confinement and open housing, reflecting expanding operations in which slotted-floor houses are being added and old houses are being converted.

The size of the operation has a lot to do with what type of housing is used. The smallest enterprises usually do not include modern buildings and equipment. For them, the unit investment in this type of housing would be relatively high because the percent of capacity used probably would be relatively low.

As producers enlarge their operations, more recent technology is generally adopted, and they tend to operate close to the full capacity of their facilities.

Costs vary greatly by the size of the farrow-to-finish enterprise—averaging nearly $48.50 per cwt. during 1978. But these costs can range from $60 per cwt. for enterprises with annual sales of only 40 head to $42 per cwt. for those with sales of over 5,000 head.

Most of this decline in unit cost is for noncash expenses, because large producers are generally able to make more effective use of their facilities and employ less labor per head. Cash costs, such as feed, vary little by size of operations.

The greater efficiencies of larger operations and modern production technologies give them the advantage as older, more traditional facilities require replacement and as new producers enter the business. Many farmers who used to produce hogs, usually along with grain, have dropped the hog business as they got older, as labor became scarce or more expensive, as off-farm employment opportunities arose, or as their facilities deteriorated and new investment or major repairs were required.

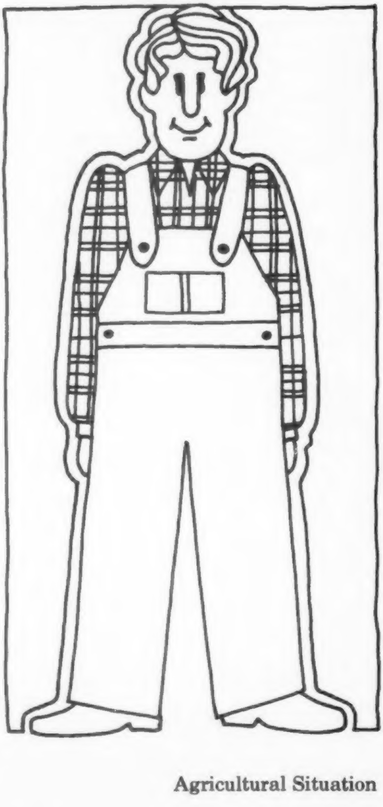
COMPARING VITAL STATISTICS

Farm residents are less likely to be out of work than their nonfarm counterparts, but they're more likely to be older and earn less.

These are a few of the findings of the latest USDA-Bureau of Census farm population report, which also shows the 1977 farm population at 7,806,000 or about 3.6 percent of the U.S. population. In 1920, 32 million or 30 percent of the Nation's population lived on farms.

Here's how the farm and nonfarm populations compared in some key areas in 1977, the latest year for which figures are available:

Employment: Farming was the main occupation for about 3.5



million Americans. Fifty-four percent of them lived on the farm, while the others commuted to their farm jobs.

The farm resident labor force declined a fifth between 1970 and 1977—from 2.3 to 1.9 million workers. This drop left the proportions of farm residents employed in agricultural and nonagricultural occupations nearly equal.

All areas of the country have experienced increases in the proportion of farm people working off the farm; however, southerners have led the exodus. In 1977, 55 percent of the workers living on southern farms were employed in off-farm jobs. Outside the South, it was only 45 percent.

Unemployment: The out-of-work farm population has always been relatively low. About 3 percent of the labor force living on farms in 1977 was unemployed—compared with 7.5 percent for the rest of the country. Between whites and blacks, 2 percent of whites and 6 percent of blacks were unemployed—compared with 7 and 14 percent, respectively, in the nonfarm sector.

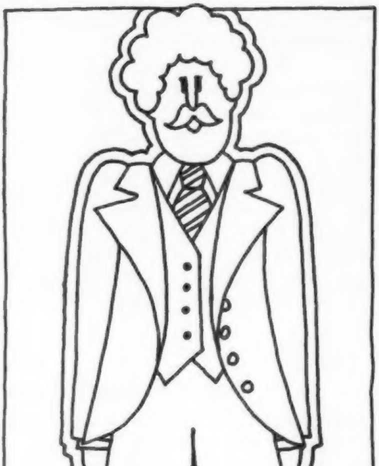
Income: The 1976 median income for farm families from farm and off-farm sources—$11,663—continued to lag behind the $15,065 income figure for nonfarm families. The proportion of farm families below the poverty level was 13.5 percent—1½ times that of nonfarm families.

Age: In 1977, the median age of farm residents was about 35 as compared with 29 for nonfarm residents. The farm population has a higher proportion of persons over 55 and children under 14. And the farm work force age pattern is the reverse of the nonfarm sector—more people aged 45 to 64 years old than 25 to 44.

Sex: Farm males outnumbered females by almost 340,000 in 1977—109 males for every 100 females. The smaller female representation—in contrast to the nonfarm population—is most evident in the late teens and early 20's and again in the late 50's and older—when women have the highest probability of being single or widowed, respectively.

These unequal ratios reflect, in part, a tendency for young women to leave the farm as they reach maturity and for older women to leave as they are widowed.

Race: Since 1970, the number of blacks on farms has declined much faster than whites, causing the proportion of whites in the farm population to increase from 90 to 94 percent and blacks to decrease from 9 to 5 percent. The higher rates of population loss for blacks have been associated with sharp and steady declines in the number of cotton and tobacco farms since 1935.



RECORD CROPS, RECORD VALUE

Last year, U.S. farmers set another record in total crop production despite a 2-percent decline in harvested acreage from 1977. Sharply increased yields did the trick, boosting the all-crops production index 1 point to 131 (1967 = 100).

Growers seeded 334 million acres to major crops and harvested 325 million acres. Production records were set for feed grains, hay and forage, and oil crops. On the downside was cotton, with output declining a fourth from 1977.

The total value of the 1978 crop production also set a record, rising from $57 billion in 1977 to nearly $61½ billion, according to the Crop Reporting Board. Higher average prices per unit for most of the principal crops, along with increased output, assured the value gain.

Estimated prices per unit shown below for 1976 and 1977 are season averages received by farmers for all sales during the crop year. All prices for 1978 are preliminary.

PRODUCTION

Crop	Unit	1976	1977	1978
Corn for grain	Bil. bu.	6.3	6.4	7.1
Sorghum for grain	Mil. bu.	719.8	793.0	748.4
Wheat	Bil. bu.	2.1	2.0	1.8
Rice	Mil. cwt.	115.6	99.2	137.8
Soybeans	Bil. bu.	1.3	1.8	1.8
Cotton	Mil. bales	10.6	14.4	10.8
Hay	Mil. tons	120.0	131.3	142.3
Potatoes	Mil. cwt.	357.7	354.6	360.5
Tobacco	Bil. lbs.	2.1	1.9	2.0
Sugarbeets	Mil. tons	29.4	25.0	25.9

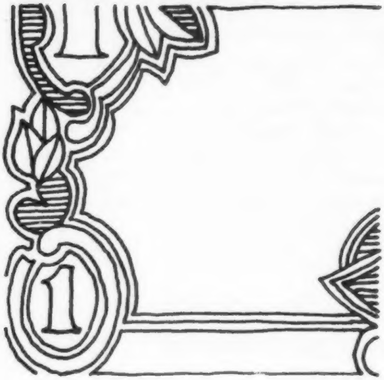
PRICES
Average dollars per unit received by farmers

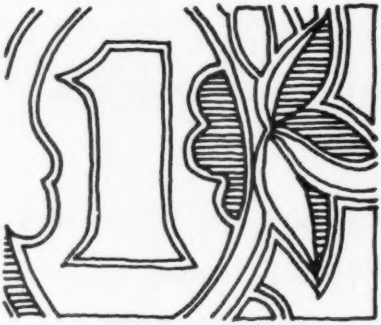
Crop	Unit	1976	1977	1978
Corn for grain	Bu.	$ 2.15	$ 2.02	$ 2.09
Sorghum for grain	Bu.	2.03	1.82	1.99
Wheat	Bu.	2.73	2.33	2.94
Rice	Cwt.	7.02	9.49	7.69
Soybeans	Bu.	6.81	5.88	6.42
Cotton	Lb.	.64	.52	.61
Hay	Ton	60.30	54.00	49.00
Potatoes	Cwt.	3.59	3.55	3.56
Tobacco	Lb.	1.13	1.19	1.33
Sugarbeets	Ton	21.00	24.20	not available

BIG RECOVERY IN NET FARM INCOME

After subtracting production expenses, net farm income for 1978 (adjusted for inventory changes) is now estimated at $28.3 billion, second only to 1973's record and nearly 40 percent above the depressed $20.6 billion of 1977.

Sharply higher cash receipts, particularly for livestock, and gains in nonmoney income more than offset the 9-percent increase in production expenses. Government payments to farmers also increased, from about $1.8 billion in 1977 to around $2.8 billion last year.





. . . BUT NOT ALL SHARE IN RECOVERY

The critical push behind the net income gain came from the 14-percent jump in cash receipts from all crop and livestock marketings (96.1 billion in 1977 to $110 billion last year).

Although this seems to confirm that 1978 was a much better year for farmers than 1977, a look at the table below indicates that many farmers did not share in those higher receipts. In fact, marketing receipts for some major farm commodities such as wheat, corn, and cotton dropped according to these preliminary estimates for 1978:

	1976	1977	1978 Preliminary
		Billion dollars	
Livestock receipts:	46.2	47.6	58.0
Cattle and calves	19.3	20.2	27.4
Milk	11.2	11.5	12.4
Hogs	7.3	7.3	8.8
Broilers	2.9	3.1	3.7
Eggs	3.1	2.9	2.9
Other livestock & products	2.4	2.6	2.8
Crop receipts:	48.3	48.5	52.0
Corn	9.4	8.7	8.2
Soybeans	8.6	8.5	11.4
Wheat	5.8	5.2	4.8
Vegetables	5.2	5.6	6.1
Fruits and nuts	3.6	4.3	5.2
Cotton lint	3.2	3.6	3.2
Grain sorghum	1.2	1.1	1.0
All other crops	11.3	11.5	12.2

FARMERS REPORT PLANTING INTENTIONS

Farmers in the major producing States plan to seed 1.3 million fewer acres to feed grains in 1979 than they did in 1978, according to the *Prospective Plantings* report issued on January 22.

Compared with actual acreages for the 1978 crop, intended plantings are up 1 percent for corn but down 8 percent for barley, 6 percent for sorghum, and 4 percent for oats.

Producers also indicated their intentions to seed fewer acres in 1979 to rice, flaxseed, and sugarbeets. Increased acreage plans were reported for wheat, cotton, and sunflower.

Intentions were reported to the Crop Reporting Board by a cross section of growers in 34 States which accounted for 98½ percent of 1978 planted acreage of all crops surveyed.

Of course, acreages actually planted may vary from the January intentions for such reasons as weather, economic conditions, availability of production inputs, farm programs, and the effect of the report itself which is intended to assist growers in making their final acreage decisions.

A second *Prospective Plantings* report to be issued April 16 will update the January indications and show growers' plans just before the major spring planting period begins.

PLANTING INTENTIONS AND PLANTINGS (34 States)

Crop	1977 Plantings	1978 Plantings	1979 Intentions	1978 to 1979
	- - - - - *1,000 acres*		- - - - -	*Percent change*
Corn	81,899	78,316	79,218	+1
Sorghum	16,696	16,147	15,243	−6
Oats	17,525	16,227	15,592	−4
Barley	10,187	9,556	8,815	−8
Durum wheat	3,179	4,110	4,250	+3
Other spring wheat	15,576	14,188	14,452	+2
Soybeans	58,011	63,173	65,408	+4
Upland Cotton	13,481	13,151	13,896	+6
Rice	2,261	3,080	2,912	−5
Flaxseed	1,410	890	732	−18
Sugarbeets	1,211	1,246	1,107	−11
Sunflower	2,321	2,795	4,140	+48

SPOTLIGHT ON DIRECT MARKETING

Direct marketing food outlets, such as pick-your-own groves and country roadside stands, offer producers the advantage of selling food directly to the consumer without any middleman. For the farmer, this may mean more money in the pocket and, for the consumer, fresh farm products at lower prices.

But who's buying from these outlets? And, are direct marketing customers satisfied?

Last year, USDA's Economics, Statistics, and Cooperatives Service (ESCS) conducted a national survey of food shoppers from a representative sample of 1,350 households in the 48 contiguous States. The purpose: to evaluate the interest in various food markets including direct marketing outlets.

About 18 percent of the surveyed shoppers patronized pick-your-own (PYO) operations. Households with children were found more likely to do business with a PYO. Also important was the finding that shoppers who maintained gardens were more likely to buy from a PYO than those who didn't. Some observers attribute this to the possibility that shoppers with gardens are more appreciative of the fresh produce available at PYO's.

Around 59 percent of PYO customers indicated no problems or inconveniences shopping at such outlets. Only 20 percent of the customers thought traveling back and forth to PYO's was an inconvenience.

Nearly 38 percent of the respondents indicated they purchased food at farm or roadside stands.

About 62 percent of the roadside shoppers cited no specific disadvantage, while only 17 percent indicated that traveling to and from the market was bothersome.

Response from the survey revealed that consumers who have purchased food products from PYO's or roadside stands were generally satisfied with these operations and planned to return to them in the future. Better quality products and lower prices were the advantages cited most often by customers of these outlets. However, it remains to be seen if these customer-perceived benefits and any promotional efforts that emphasize these benefits will be sufficient to attract additional consumers to PYO's and roadside stands.

This survey was just one byproduct of a 1976 law passed by Congress intended to breathe new life into the direct sales business. Called the Farmer-to-Consumer Direct Marketing Act, it gave direct marketing official recognition.

Under the law, Federal appropriations were given to the States to develop and expand direct marketing through educational and service projects.

The Act also provided ESCS with funds to conduct needed research on direct marketing in the U.S.

To determine the extent and importance of direct marketing, ESCS is currently surveying the size and type of different marketing activities in six States: Indiana, Michigan, New Jersey, North Carolina, Ohio, and Pennsylvania.

After these surveys are completed in early 1979, surveys probably will be conducted in six to 10 additional States later this year.

ESCS will also examine the advantages of direct marketing for farmers and consumers by comparing prices and profits of direct market outlets to conventional markets and by analyzing what this means to consumers in terms of food quality and cost. Results are expected by late 1980.

SMALL FARMERS TALK BACK

Small-scale farmers who gathered around conference tables in five States last summer had some biting comments about their attentive hosts.

However, instead of taking the tongue-lashing as an insult, officials of USDA, ACTION, and the Community Services Administration were taking it all down to carry back to Washington, D.C. As for the farmers, they were doing exactly what they had been asked: sounding off candidly about their problems and the solutions they proposed.

Complaints about Government aside, delegates agreed that most of the big issues facing small farmers are basically matters of dollars and cents.

The five regional conferences, held in Alabama, Iowa, Maine, New Mexico, and Oregon, allowed every State to be represented by about eight farmer delegates, each carrying the message from farmers in his community. Delegates were selected by special State-level committees to reflect the mix of men, women, minorities, and ages and types of producers operating small farms in each State.

The focus on small farms, which by any definition represent the majority of U.S. farms, demonstrated a fresh commitment to consider their unique needs in agricultural policymaking.

The delegates were mainly family farm operators depending on their farms for a significant share of their incomes. Some were much better off than others, of course. Philosophies also varied considerably, but there was very little disagreement on one point: These are hard times for small operators.

For most delegates, the chief culprits were low commodity prices and high production costs. Some called for 100 percent of parity, some for a fair return, and others for production costs plus a profit.

The cost-price squeeze was blamed on the combined effects of inflation, a consumer-oriented cheap food policy by Government, market manipulation by large business and labor, poor consumer education about the economics of farming, Federal import-export policies, and small farmers' lack of political power.

Delegates made it clear that they weren't in farming to get rich but just wanted a fair chance to compete so they can live on a par with the nonfarm population and stay in farming.

Several suggested that their success was in the national interest, at least partly because they see the family farm as the final repository of the Nation's best virtues: high moral values and the spirit of independence.

These were only a few of the economic and social issues that were discussed at the conferences. Over 700 problems were raised in several major topic areas, including those that follow:

Access to capital and credit raised the argument that lending institutions, tax structures, USDA programs, and national fiscal and monetary policies tend to favor other groups, including large farmers, while working against the interests of small farmers.

Delegates noted that capital and credit problems can make it difficult or impossible for young people to enter farming and that long delays in processing loan applications by the Farmers Home Administration (FmHA) can be critical to small-scale producers.

They suggested that FmHA simplify the paperwork and speed up loan processing, liberalize loan ceilings and payback periods, delay or adjust interest payments as needed, and provide management assistance along with the loan.

Production was one of many topic areas that brought up the cost-price squeeze and the hardships it imposes on producers. Beyond that, delegates requested increased Extension education and research on appropriate new technologies, such as alternative sources of energy and organic farming techniques.

A related concern, however, was that much cost-saving technology is beyond the reach of individual farmers with limited productive capacity. Some delegates suggested further efforts to scale down production technology to make it practical for small-scale operators.

Delegates requested more management assistance, more information on how farm programs apply to them, tighter controls to prevent the spread of livestock diseases, easing of environmental and safety regulations, and more accurate Government reports on livestock and crop production.

Marketing again raised the issue of prices and a fair return on a farmer's labor and capital investment. Many said that market manipulation by large corporations, the Federal Government, and others was at the heart of their problem, and they called for Government help to boost prices.

Sharp criticism was leveled against the Government for favoring consumers over producers. Many delegates saw part of the solution in a national consumer education program which could publicize the farmer's share of the retail food dollar and emphasize that, compared with other countries, U.S. food is still a bargain.

Low import barriers also came under fire, but at the same time other delegates urged increased efforts to expand export markets. Most agreed that imported farm commodities should be labeled as such and should have to meet the same standards as domestically produced goods.

Land issues received nearly as much attention as low commodity prices. Rising land prices—which raise property taxes as well as entry and expansion costs—and the diminishing availability of good farmland were cited as growing threats to the small family farm.

Delegates, who considered farmland as a productive resource and not a speculative commodity, argued that the odds were stacked against them. Their competition: residential and industrial developers, U.S. and foreign land speculators, and Federal and State agencies which buy land for highways, flood control, recreation, and other public uses.

They recommended controls on outside investment and changes in credit and tax policies. Particular resentment was directed against inheritance taxes which, the delegates said, can make it impossible to keep the farm in the family from one generation to another.

Government regulations and procedures stirred heated discussion at each of the regional conferences.

Delegates demanded that USDA

represent them and not consumers, and they argued that USDA, and not the State Department, should make decisions on imports and other agricultural issues.

A few suggested that farmers would be better off if the Government stayed completely out of agriculture, but most delegates seemed to believe the practical solution is to push for lawmakers and Government program managers who are responsive to their needs.

Accordingly, they urged more individual contact between Government agency representatives and farmers, particularly small operators, and called for more small farm members on State and local farm boards. They also noted that they themselves should take a more active role in promoting their interests in their communities and in National, State, and local politics.

There were other comments on the need for reducing red tape and administrative costs in Government, more timely announcements of USDA programs, closer coordination between Federal agencies involved in agriculture, and more even-handed treatment of small-scale operators in Government farm programs.

Alternative sources of income was a bread-and-butter topic to many of the delegates who depended on the income from nonfarm jobs held by them or other members of their family. Some argued that nonfarm jobs disrupted family life and that, given fair commodity prices, the farm operation alone should provide a good livelihood.

Although others welcomed a regular paycheck adding to their family income, they pushed for further investigation of additional sources of on-farm income, perhaps involving alternative uses of farm equipment or land, as well as off-farm jobs which complement farming operations.

When the conferences concluded, the delegates returned to their farms to resume work where they had left off. For the sponsoring agencies, however, there was a new mandate provided by the farmer delegates who had taken time from their operations to discuss their problems.

While the issue of low prices and high costs was recognized to be beyond the power of USDA or any other single Federal agency to address alone, several actions have already been taken to improve services to small-scale operators:

- The Agricultural Credit Act of 1978 is designed to benefit small, limited-resource farmers by providing low interest farm ownership, improvement, and operating loans; higher loan limits; and greater FmHA flexibility in adjusting repayment schedules to operators' incomes.
- FmHA has set aside a fourth of its annual operating funds for the exclusive use of limited-resource farmers.
- USDA agencies have been directed to reexamine their regulations and procedures to see where changes can be made to meet the special needs of small farmers. They will also avoid all actions which would reduce land available for food and fiber production.
- Most of the 50 States have established small farm task forces to review conference findings and devise State programs to benefit small-scale operators.
- The Community Services Administration (CSA) has appointed a specialist to improve its services to low-income farmers.
- Other efforts include more USDA help for small farmers in conservation practices, increased research and information outreach for family farms, a followup conference for native American Indian and Alaskan farmers, and, in the works, joint USDA-ACTION-CSA projects to attack the special problems facing small farmers.

Briefings

RECENT REPORTS BY USDA OF ECONOMIC, MARKETING, AND RESEARCH DEVELOPMENTS AFFECTING FARMERS

CATTLE AND CALVES INVENTORY DOWN AGAIN . . . The January 1 inventory of all cattle and calves in the United States totaled 111 million head, down 5 percent from last year and 10 percent below January 1977 numbers. In its inventory report, the Crop Reporting Board noted that this is the fourth consecutive year of herd reduction in the current cattle cycle.

1979 RICE PROGRAM . . . The 1979 rice program, announced on January 29, has no set-aside requirement and no land diversion payments, the same as last year. The target price is set at $9.05 per hundredweight, compared with $8.53 for the 1978 crop, and the national average loan and purchase rate at $6.79 per hundredweight, compared with $6.40 for 1978. The acreage allotment remains unchanged at 1.8 million acres which is apportioned to producers on the basis of allotments established for the 1975 rice crop. Only rice grown on allotment acreage is eligible for loans, target price protection, and disaster payments.

RECORD BEAN AND FEED GRAIN STOCKS . . . January 1, 1979, soybean stocks, at a record 1.38 billion bushels, were up 4 percent from a year earlier, according to USDA's Crop Reporting Board. Stocks of the four feed grains were up 11 percent, with corn totaling a record 6.2 billion bushels, up 13 percent; sorghum up 4 percent; barley up 17 percent; and oat stocks down slightly. Wheat stocks, which totaled 1.63 billion bushels, were down 18 percent from January 1978.

PRODUCERS CONTROL MOST OFF-FARM GRAIN STOCKS . . . Producers retained ownership or some degree of pricing control over more than 60 percent of the corn, wheat, and sorghum stored in off-farm facilities on January 1, 1979. In its third report on *Producer Owned Grain Stocks*, the Crop Reporting Board indicated that producers retained some control over 1.1 billion bushels or 66 percent of all off-farm stored corn, 508 million bushels or 62 percent of off-farm wheat stocks, 397 million bushels or 58 percent of soybeans stored in off-farm positions, and 257 million bushels or 64 percent of total off-farm stored sorghum.

MORE HENS LAYING MORE EGGS . . . Some 67 billion eggs were produced in the year ending on November 30, 1978, according to the Crop Reporting Board. Increased layer numbers and greater productivity per layer were behind the 4-percent increase in egg production from 1977. Layer numbers during 1978 averaged 281 million, compared with 275 million during 1977. Average annual production per layer rose to 238 eggs in 1978 from 235 the year before.

BROILER OUTLOOK . . . Good profits in 1978, favorable feed prices, and strong consumer demand will lead to a 7 to 9 percent gain in broiler output this year. First half output will be up 8 to 10 percent, with smaller gains in the second half. Wholesale prices will average higher this winter but drop 2 to 3 cents below 1978 prices in the spring because of larger pork and broiler production.

WHEAT PRICES MAY EASE . . . Until recently, exceptionally brisk exports, a slow marketing pace by producers, the large farmer-owned wheat reserve, and prospects for reduced yearend stocks of about 1 billion bushels next May 31 have supported wheat prices. During June-December 1978, market prices rose to their highest level in 1½ years. However, an expected easing in export marketings, along with indications for a larger 1979 U.S. wheat crop, point to some weakening in prices in coming months. In early February, USDA economists reported that monthly average farm prices probably had already reached the season's high of about $3.00 per bushel, over 50 cents higher than a year earlier.

BUSY BEES . . . Despite 6 percent fewer bee colonies, honey production in 1978 was up 29 percent from 1977 to 230 million pounds. Yield per colony made the difference, rising 37 percent to 56.4 pounds. Last year the average price per pound of honey for all wholesale and retail sales was 54.5 cents, up 1½ cents from 1977.

MEXICAN OIL . . . Mexico now ranks sixth in the world in proven oil reserves, surpassed only by the Soviet Union, Saudi Arabia, Iran, the United States, and Kuwait. Mexico's recent emergence as a major oil power promises to make it a more active U.S. trading partner, but not just on the selling end. The demand for agricultural products made possible by increased oil revenues is expected to rise faster than the ability of Mexican agriculture to produce these products at home.

BETTER BEAN PRICES . . . U.S. soybean supplies this marketing year total 2.0 billion bushels, a record high and some 7 percent more than in 1977/78. However, exceptionally strong demand has boosted prices well above year-earlier levels. U.S. farm prices so far this season averaged $6.40 per bushel, nearly $1 above a year earlier.

Statistical Barometer

Item	1977	1978	1979
Farm Income:			
Cash receipts from farm marketings ($bil.)	96.1	[1]110.0	[2]110-120
Livestock and products ($bil.)	47.6	58.0	[2]60-65
Crops ($bil.)	48.5	52.0	[2]50-55
Nonmoney, other cash income ($bil.)	10.2	11.1	
Government payments ($bil.)	1.8	2.8	
Realized gross farm income ($bil.)	108.1	[1]123.9	[2]123-135
Production expenses ($bil.)	88.0	[1]95.8	[2]100-106
Realized net farm income before inventory adjustment ($bil.)	20.1	[1]28.1	[2]23-29
Realized net farm income after inventory adjustment ($bil.)	20.6	[1]28.3	[2]23-29
Cattle inventory, January 1:			
Cattle and calves (mil. head)	122.8	116.4	110.9
Value per head ($)[3]	206	232	403
Total value ($mil.)[3]	25,252	27,055	44,661
Cows and heifers that have calved (mil. head)	52.4	49.7	47.8
Beef cows (mil. head)	41.4	38.8	37.0
Milk cows (mil. head)	11.0	10.9	10.9
Heifers 500 pounds and over (mil. head)	18.5	17.7	16.9
For beef cow replacement (mil. head)	6.5	5.8	5.5
For milk cow replacement (mil. head)	3.9	3.9	3.9
Other heifers (mil. head)	8.1	8.0	7.4
Steers 500 pounds and over (mil. head)	16.9	16.8	16.3
Bulls 500 pounds and over (mil. head)	2.7	2.5	2.4
Heifers, steers, and bulls under 500 pounds (mil. head)	32.4	29.6	27.4

[1]Preliminary.
[2]Projected range for 1979.
[3]Based on reporters' estimates of average prices per head in their localities.

Crop Reporting Board

AGRICULTURAL SITUATION

MARCH 1979 • VOL. 63 NO. 2
ERIC VAN CHANTFORT, EDITOR

The Agricultural Situation, published 11 times a year by USDA's Economics, Statistics, and Cooperatives Service, is distributed free to crop and livestock reporters in connection with their work. Contents of the magazine may be reprinted without permission. The Secretary of Agriculture has determined that the publication of this periodical is necessary in the transaction of the public business required by law of this Department. Use of funds for printing this periodical has been approved by the Director of the Office of Management and Budget through January 31, 1979. Subscription price $7.75 a year ($9.70 foreign). Order from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. Single copies available from the ESCS Information Division, Rm. 550 GHI Bldg., USDA, Washington, D.C. 20250.

U.S. DEPARTMENT OF AGRICULTURE
ECONOMICS, STATISTICS, AND
COOPERATIVES SERVICE

OFFICIAL BUSINESS
PENALTY FOR PRIVATE USE $300

To stop mailing ☐ or to change your address ☐ send mailing label on this magazine and new address to ESCS, Rm. 550 GHI, USDA, Washington, D.C. 20250.

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF
AGRICULTURE
AGR 101
BULK THIRD CLASS

ASM VERIA300V ISSDUE002R 1
VERIALS PROCESSING DEPT
UNIV MICROFILMS INTL
300 N ZEEB RD
ANN ARBOR MI 48106

V63/2 MR 79
MI

U.S. DEPARTMENT OF AGRICULTURE

POSTAGE AND FEES PAID